

Course Syllabus

University of Texas at Dallas

Financial Statement Analysis

Course Information

Course Number/Section ACCT 4336 - 001
Course Title Financial Statement Analysis

Term Spring, 2013
Days & Times Tuesday and Thursday, 1:00 PM – 2:15 PM
Room JSOM 2.904

Professor Contact Information

| | | |
|-----------------|--|--|
| Instructor | Richard Bowen | Anthony J. LeVecchio |
| Phone | <u>972-883-5806</u> (eLearning messaging preferred) | <u>972-985-4190</u> (aol email preferred) |
| Email Address | eLearning messaging preferred | TLeVecchio@aol.com |
| Office Location | SM 4.410 | |
| Office Hours | Wednesday 2:00 – 3:30 appointment preferred | By appointment |

Course Pre-requisites, Co-requisites, and/or Other Restrictions

Pre-requisites: ACCT -2301, ACCT -2302, ACCT -3320, MATH -1326, MATH 2333

Course Description

The course will cover financial statements from a user's perspective. Broad concepts will be covered related to financial statements with application of different industries, and companies, including a comparative analysis of various industries. This course is designed to take the students beyond the routine filling of boxes with standard financial ratios, calculated according to precise and inflexible definitions. The course emphasizes the application of the concepts to real life situations.

The main goal is to provide students with a broad, practical perspective to work on financial statement analysis to determine:

1. A reasonable assessment of the financial condition of the firm
2. What may be reasonable forecasts of its future position
3. Whether the firm is worthy of credit
4. The operation characteristics of the firm

Student Learning Objectives/Outcomes

1. Be able to assess the financial condition of a firm.
2. Be able to make a forecast of future trends based on analysis.
3. Be able to distinguish between various industry differences of key financial and operational data along with key ratios.
4. Be able to describe the view of various parties, ie., CEO, CFO, Accountant, Lending Officers, Investors, and Operational Management of various financial data and ratios
5. Be able to perform a complete analysis of a company and present clearly a business and financial summary to a group.

Required Textbooks and Materials

- Financial Reporting & Analysis, 12th Edition, Charles Gibson, 2011, South-Western Publishing. ISBN 978-1-4390-8086-3. There have been significant changes from the earlier editions along with additional materials. Do not use an earlier edition for this class.
- Course presentations will be in eLearning along with homework assignments.
- Solutions to identified problems in eLearning.

Assignments & Academic Calendar

Topics, Reading Assignments, Due Dates, Exam Dates

The class schedule is subject to change, based on the needs of the students. Class will be composed of some lecture, discussion on case study and problems, and discussion on current events. For each student to get the most of this class it is recommended that you be in tune with events impacting the financial community. Many events are impacting the corporate environment due to financial reporting issues. Reading of material such as the Wall Street Journal, Forbes, Barrons, Money Magazine, etc. is strongly encouraged. It is expected that students bring these issues to class for discussion as appropriate.

Additional readings and website references will be made during class. Students should also keep abreast of all significant current events involving the company they have chosen for their project so they can discuss during class.

Each chapter of the text has many problems/questions that provide a good overview of the material. These questions serve as a review of the material from the chapter, are for the benefit of the students, and will not normally be turned in. The questions/answers will be required to be turned in if they are included as part of a homework assignment (note later discussion of homework assignments under “Late Work.”).

Class Schedule

The class schedule below lists the primary areas of discussion in class, and other material will be brought in for discussion. Students should also keep up on the major class project during the semester and ask questions related to the project and the respective chapters of the assignment accordingly. Changes to the class and schedule will be discussed as the need arises.

| Class | Schedule Date | Topic | Chapter |
|--------------|----------------------|---|----------------|
| 1 | Jan 15 | Course Orientation; Class Project Expectations | |
| 2 | Jan 17 | Introduction to Financial Reporting | Chapter 1 |
| 3 | Jan 22 | Introduction to Financial Statements -- GAAP | Chapter 2 |
| 4 | Jan 24 | SEC and International Accounting; Code of Ethics; Balance Sheet | Chapters 2 - 3 |
| 5 | Jan 29 | Balance Sheet | Chapter 3 |
| 6 | Jan 31 | Liabilities, Leases and Bonds; Capital | Chapter 3 |
| 7 | Feb 5 | Income Statement; Statement Presentation; Cost of goods Sold/Inventories | Chapter 4 |
| 8 | Feb 7 | Company for Project Team Selection Due; Equity in Earnings of Unconsolidated Subsidiaries; Stock Dividends/Splits | Chapter 4 |
| 9 | Feb 12 | Basics of Analysis; Ratio Analyses | Chapter 5 |
| 10 | Feb 14 | Trend and Common Sized Analyses | Chapter 5 |
| 11 | Feb 19 | Liquidity of Short Term Assets | Chapter 6 |
| 12 | Feb 21 | Inventory Cost – Cost of Goods Sold | Chapter 6 |
| 13 | Feb 26 | Liquidity Analyses, Operating Cycle, etc. | Chapter 6 |
| 14 | Feb 28 | Review for Test I | |
| 15 | Mar 5 | Test I – Chapters 1 – 6 | |
| 16 | Mar 7 | Project Team Presentation Preparation | |
| | Mar 12, 14 | Spring Break | |
| 17 | Mar 19 | Other Operating Leverage Analyses | Chapter 7 |
| 18 | Mar 21 | Overall Profitability Analyses | Chapter 8 |
| 19 | Mar 26 | Profitability and Asset Utilization | Chapter 8 |
| 20 | Mar 28 | Returns – Assets, Investment, Total Equity, Common Equity, Case Studies | Chapter 8 |
| 21 | Apr 2 | Analyses for the Investor | Chapter 9 |
| 22 | Apr 4 | Financial Leverage, EPS | Chapter 9 |
| 23 | Apr 9 | Statement of Cash Flows | Chapter 10 |
| 24 | Apr 11 | Investor Expectations of Cash Flows vs Dividends | Chapter 10 |
| 25 | Apr 16 | Cash Flow Case Studies, Banking Analyses | Chapter 12 |
| 26 | Apr 18 | Cash Flow Case Studies, Banking Analyses | Chapter 12 |
| 27 | Apr 23 | Project Team Presentations | |
| 28 | Apr 25 | Project Team Presentations | |
| 29 | Apr 30 | Project Team Presentations | |
| 30 | May 2 | Test II Review– Chapters 7 – 10, 12 | |
| | | | |

Grading Policy

Your grade will consist of the following:

| | <u>Percent</u> |
|---------------------|--------------------|
| Test 1 | 20% |
| Test 2 | 25% |
| Attendance | 10% |
| Homework | 15% |
| Team Project | 30% |
| | — |
| Total Points | <u>100%</u> |

Your final letter grade will be determined as follows:

| | | |
|---------------|--------------|--------------|
| A+ = 97 – 100 | B = 84 – 86 | C– = 70 – 73 |
| A = 94 – 96 | B– = 80 – 83 | D+ = 67 – 69 |
| A– = 90 – 93 | C+ = 77 – 79 | D = 64 – 66 |
| B+ = 87 – 89 | C = 74 – 76 | D– = 60 – 63 |
| | | F = Below 60 |

Course Policies

Make-up Tests

Generally, there will be no makeup tests given. If you have a documented emergency that will prevent you from taking any of the tests on the scheduled day you have to notify me before the test. Acceptable supporting documentation, such as hospital admission, will be required. Doctor's office visit will not be an acceptable excuse. There will be no exceptions.

Late Work

No late assignments will be accepted! The homework assigned for each chapter will be posted in eLearning the week prior to the due date. It is your responsibility to check eLearning regularly for assignments and any additional communications from your instructor.

Special Assignments

In this class, you will participate in a team project (team Members to be assigned) which utilizes the information in the textbook to make a real world comparison of three public companies. Each team will select an industry and three competing companies in that industry. We would like you to select companies that you are not familiar with and that do not dominate in their industry. Prior to starting the project, each team needs to submit the company names to the instructors for approval to insure that there is no duplication between teams and that the companies are competitors. The complete requirements for this project will be posted in eLearning and discussed extensively in class.

Class Attendance

It is critical to your success that you attend each session. It is also important to come to class prepared, so I expect that you've read the day's material as well as attempted the suggested problems. There will be numerous handouts and sample problems distributed in class. In addition, in each chapter we will possibly discuss cases pertaining to the topic in that chapter and the

ethical decisions professionals make each day concerning accounting topics. Case and lecture materials are only available in class. Because attendance is so important to be successful in class, it is 10% of your final grade in the course. You are allowed **one** “free” absence.

Classroom Citizenship

Respect your fellow students and keep cell phones off. If you have to talk to someone next to you please share with the whole class or it is not appropriate. Laptop computers are to be used in class only for taking or referring to class notes.

Field Trip Policies / Off-Campus Instruction and Course Activities

No field trips are planned for the class. However, participation in professional student organizations is highly encouraged and those organization typically have events and field trips. This includes the FMA, UTD IIA Student Chapter, and Beta Alpha Psi along with others.

Student Conduct & Discipline

The University of Texas System and The University of Texas at Dallas have rules and regulations for the orderly and efficient conduct of their business. It is the responsibility of each student and each student organization to be knowledgeable about the rules and regulations which govern student conduct and activities.

The University of Texas at Dallas administers student discipline within the procedures of recognized and established due process. Procedures are defined and described in the *Rules and Regulations of the Board of Regents of the University of Texas System, Part 1, Chapter VI, Section 3*, and in Title V, *Rules on Student Services and Activities of the Course Syllabus Page 8, University's Handbook of Operating Procedures*. Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations (SSB 4.400, 972/883- 6391).

A student at the university neither loses the rights nor escapes the responsibilities of citizenship. He or she is expected to obey federal, state, and local laws as well as the Regents' Rules, university regulations, and administrative rules. Students are subject to discipline for violating the standards of conduct whether such conduct takes place on or off campus, or whether civil or criminal penalties are also imposed for such conduct.

Academic Integrity

The faculty and administration of the School of Management expect from our students a high level of responsibility and academic honesty. Because the value of an academic degree depends upon the absolute integrity of the work done by the student for that degree, it is imperative that a student demonstrate a high standard of individual honor in his or her scholastic work. We want to establish a reputation for the honorable behavior of our graduates, which extends throughout their careers. Both your individual reputation and the school's reputation matter to your success.

The Judicial Affairs website lists examples of academic dishonesty. Dishonesty includes, but is not limited to cheating, plagiarism, collusion, facilitating academic dishonesty, fabrication, failure to contribute to a collaborative project and sabotage. Some of the ways students may engage in academic dishonesty are:

- Coughing and/or using visual or auditory signals in a test;

- Concealing notes on hands, caps, shoes, in pockets or the back of beverage bottle labels;
- Writing in blue books prior to an examination;
- Writing information on blackboards, desks, or keeping notes on the floor;
- Obtaining copies of an exam in advance;
- Passing information from an earlier class to a later class;
- Leaving information in the bathroom;
- Exchanging exams so that neighbors have identical test forms;
- Having a substitute take a test and providing falsified identification for the substitute;
- Fabricating data for lab assignments;
- Changing a graded paper and requesting that it be regraded;
- Failing to turn in a test or assignment and later suggesting the faculty member lost the item;
- Stealing another student's graded test and affixing one's own name on it;
- Recording two answers, one on the test form, one on the answer sheet;
- Marking an answer sheet to enable another to see the answer;
- Encircling two adjacent answers and claiming to have had the correct answer;
- Stealing an exam for someone in another section or for placement in a test file;
- Using an electronic device to store test information, or to send or receive answers for a test;
- Destroying or removing library materials to gain an academic advantage;
- Consulting assignment solutions posted on websites of previous course offerings;
- Transferring a computer file from one person's account to another;
- Transmitting posted answers for an exam to a student in a testing area via electronic device;
- Downloading text from the Internet or other sources without proper attribution;
- Citing to false references or findings in research or other academic exercises;
- Unauthorized collaborating with another person in preparing academic exercises.
- Submitting a substantial portion of the same academic work more than once without written authorization from the instructor.

<http://www.utdallas.edu/judicialaffairs/UTDJudicialAffairs-Basicexamples.html>

Updated: August, 2011

Plagiarism on written assignments, especially from the web, from portions of papers for other classes, and from any other source is unacceptable. On written assignments, this course will use the resources of turnitin.com, which searches the web for plagiarized content and is over 90% effective.

During tests and quizzes, students in this section are not allowed to have with them any food or drinks, scratch paper, course materials, textbooks, notes, invisible ink pens, or electronic devices, including iPads, iPhones, iPods, MP3 Players, earphones, radios, smart phones, cameras, calculators, multi-function timepieces, or computers.

Students in this course suspected of academic dishonesty are subject to disciplinary proceedings, and if found responsible, the following minimum sanctions will be applied:

1. Homework – Zero for the Assignment
2. Case Write-ups – Zero for the Assignment
3. Quizzes – Zero for the Quiz
4. Presentations – Zero for the Assignment
5. Group Work – Zero for the Assignment for all group members
6. Tests – F for the course

These sanctions will be administered only after a student has been found officially responsible for academic dishonesty, either through waiving their right for a disciplinary hearing, or being declared responsible after a hearing administered by Judicial Affairs and the Dean of Student's Office .

In the event that the student receives a failing grade for the course for academic dishonesty, the student is not allowed to withdraw as a way of preventing the grade from being entered on their record. Where a student receives an F in a course and chooses to take the course over to improve their grade, the original grade of F remains on their transcript, but does not count towards calculation of their GPA.

The School of Management also reserves the right to review a student's disciplinary record, on file with the Dean of Students, as one of the criteria for determining a student's eligibility for a scholarship.

Judicial Affairs Procedures

Under authority delegated by the Dean of Students, a faculty member who has reason to suspect that a student has engaged in academic dishonesty may conduct a conference with the student in compliance with the following procedures:

- (i) the student will be informed that he/she is believed to have committed an act or acts of academic dishonesty in violation of University rules;
- (ii) the student will be presented with any information in the knowledge or possession of the instructor which tends to support the allegation(s) of academic dishonesty;
- (iii) the student will be given an opportunity to present information on his/her behalf;
- (iv) after meeting with the student, the faculty member may choose not to refer the allegation if he/she determines that the allegations are not supported by the evidence; or
- (v) after meeting with the student, the faculty member may refer the allegations to the dean of students along with a referral form and all supporting documentation of the alleged violation. Under separate cover, the faculty member should forward the appropriate grade to be assessed if a student is found to be responsible for academic dishonesty;
- (vi) the faculty member may consult with the dean of students in determining the recommended grade;
- (vii) the faculty member must not impose any independent sanctions upon the student in lieu of a referral to Judicial Affairs;
- (viii) the faculty member may not impose a sanction of suspension or expulsion, but may make this *recommendation* in the referral documentation

If the faculty member chooses not to meet with the student and instead forwards the appropriate documentation directly to the dean of students, they should attempt to inform the student of the allegation and notify the student that the information has been forwarded to the Office of Dean of Students for investigation.

The student, pending a hearing, remains responsible for all academic exercises and syllabus requirements. The student may remain in class if the student's presence in the class does not interfere with the professor's ability to teach the class or the ability of other class members to learn. (See Section 49.07, page V-49-4 for information regarding the removal of a student from class).

Upon receipt of the referral form, class syllabus, and the supporting material/documentation from the faculty member, the dean shall proceed under the guidelines in the *Handbook of Operating Procedures*, Chapter 49, Subchapter C. If the respondent disputes the facts upon which the allegations are based, a fair and impartial disciplinary committee comprised of UTD faculty and students, shall hold a hearing and determine the responsibility of the student. If they find the student in violation of the code of conduct, the dean will then affirm the minimum sanction as provided in the syllabus, and share this information with the student. The dean will review the student's prior disciplinary record and assess additional sanctions where appropriate to the circumstances. The dean will inform the student and the faculty member of their decision.

Email Use

The University of Texas at Dallas recognizes the value and efficiency of communication between faculty/staff and students through electronic mail. At the same time, email raises some issues concerning security and the identity of each individual in an email exchange. The university encourages all official student email correspondence be sent only to a student's U.T. Dallas email address and that faculty and staff consider email from students official only if it originates from a UTD student account. This allows the university to maintain a high degree of confidence in the identity of all individual corresponding and the security of the transmitted information. UTD furnishes each student with a free email account that is to be used in all communication with university personnel. The Department of Information Resources at U.T. Dallas provides a method for students to have their U.T. Dallas mail forwarded to other accounts.

Withdrawal from Class

The administration of this institution has set deadlines for withdrawal of any college-level courses. These dates and times are published in that semester's course catalog. Administration procedures must be followed. It is the student's responsibility to handle withdrawal requirements from any class. In other words, I cannot drop or withdraw any student. You must do the proper paperwork to ensure that you will not receive a final grade of "F" in a course if you choose not to attend the class once you are enrolled.

Student Grievance Procedures

Procedures for student grievances are found in Title V, Rules on Student Services and Activities, of the university's *Handbook of Operating Procedures*.

In attempting to resolve any student grievance regarding grades, evaluations, or other fulfillments of academic responsibility, it is the obligation of the student first to make a serious effort to resolve the matter with the instructor, supervisor, administrator, or committee with whom the grievance originates (hereafter called "the respondent"). Individual faculty members retain primary responsibility for assigning grades and evaluations. If the matter cannot be resolved at that level, the grievance must be submitted in writing to the respondent with a copy of the respondent's School Dean. If the matter is not resolved by the written response provided by the respondent, the student may submit a written appeal to the School Dean. If the grievance is not resolved by the School Dean's decision, the student may make a written appeal to the Dean of Graduate or Undergraduate Education, and the dean will appoint and convene an Academic

Appeals Panel. The decision of the Academic Appeals Panel is final. The results of the academic appeals process will be distributed to all involved parties.

Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations.

Incomplete Grade Policy

As per university policy, incomplete grades will be granted only for work unavoidably missed at the semester's end and only if 70% of the course work has been completed. An incomplete grade must be resolved within eight (8) weeks from the first day of the subsequent long semester. If the required work to complete the course and to remove the incomplete grade is not submitted by the specified deadline, the incomplete grade is changed automatically to a grade of **F**.

Disability Services

The goal of Disability Services is to provide students with disabilities educational opportunities equal to those of their non-disabled peers. Disability Services is located in room 1.610 in the Student Union. Office hours are Monday and Thursday, 8:30 a.m. to 6:30 p.m.; Tuesday and Wednesday, 8:30 a.m. to 7:30 p.m.; and Friday, 8:30 a.m. to 5:30 p.m.

The contact information for the Office of Disability Services is:

The University of Texas at Dallas, SU 22
PO Box 830688
Richardson, Texas 75083-0688
(972) 883-2098 (voice or TTY)

Essentially, the law requires that colleges and universities make those reasonable adjustments necessary to eliminate discrimination on the basis of disability. For example, it may be necessary to remove classroom prohibitions against tape recorders or animals (in the case of dog guides) for students who are blind. Occasionally an assignment requirement may be substituted (for example, a research paper versus an oral presentation for a student who is hearing impaired). Classes enrolled students with mobility impairments may have to be rescheduled in accessible facilities. The college or university may need to provide special services such as registration, note-taking, or mobility assistance.

It is the student's responsibility to notify his or her professors of the need for such an accommodation. Disability Services provides students with letters to present to faculty members to verify that the student has a disability and needs accommodations. Individuals requiring special accommodation should contact the professor after class or during office hours.

Religious Holy Days

The University of Texas at Dallas will excuse a student from class or other required activities for the travel to and observance of a religious holy day for a religion whose

places of worship are exempt from property tax under Section 11.20, Tax Code, Texas Code Annotated.

The student is encouraged to notify the instructor or activity sponsor as soon as possible regarding the absence, preferably in advance of the assignment. The student, so excused, will be allowed to take the exam or complete the assignment within a reasonable time after the absence: a period equal to the length of the absence, up to a maximum of one week. A student who notifies the instructor and completes any missed exam or assignment may not be penalized for the absence. A student who fails to complete the exam or assignment within the prescribed period may receive a failing grade for that exam or assignment.

If a student or an instructor disagrees about the nature of the absence [i.e., for the purpose of observing a religious holy day] or if there is similar disagreement about whether the student has been given a reasonable time to complete any missed assignments or examinations, either the student or the instructor may request a ruling from the chief executive officer of the institution, or his or her designee. The chief executive officer or designee must take into account the legislative intent of TEC 51.911(b), and the student and instructor will abide by the decision of the chief executive officer or designee.

Off-Campus Instruction and Course Activities

Off-campus, out-of-state, and foreign instruction and activities are subject to state law and University policies and procedures regarding travel and risk-related activities. Information regarding these rules and regulations may be found at the website address given below. Additional information is available from the office of the school dean. (http://www.utdallas.edu/Business_Affairs/Travel_Risk_Activities.htm)

These descriptions and timelines are subject to change at the discretion of the Professor.